# ACCESS :: BALTIMORE



...we have successfully maximized the City's resources, removed barriers for visitors to the City, and increased revenue through effective management...

### ACCESS :: BAI TIMORE

What was a local parking crisis is now a national model for success, and this is only the beginning.



### Message from Mayor Martin O'Malley

Nearly six years ago, Baltimore's lack of downtown parking had become an impediment to economic growth. We were thousands of parking spaces short of where we needed to be, hindering our efforts to attract companies and employers to our City. With all downtown Baltimore had to offer, it is ridiculous to lose jobs over something like parking, which has a clear cut solution – unlike so many of the issues we face.

In the first 100 days of our Administration, the Baltimore City Parking Authority was created to take management control of the City's parking assets. With two goals in mind, the authority set out to:

- > improve the management and functioning of our parking assets, thereby,
- > providing ample clean, safe and convenient parking to Baltimore's potential and current employees, consumers and residents.

Over the past six years, The Parking Authority has met with great success. In just five years the City-owned parking garages have undergone a renaissance. Four new garages have opened. They are clean, safe, and efficient with working elevators. And garages that once operated at a loss are now covering their own operational costs and raising revenue for the City.

The Authority also began an effort to reform our on-street metered parking. The majority of parking meters in Baltimore are decades old, difficult to repair, and inconvenient for short-term parkers. In a pilot program, new state-of-the-art meters were installed within the downtown central business district and in Fells Point. These new pay stations have proved to be convenient for parkers (accepting credit cards for payment), enhanced our streetscape, and have allowed the City to better track and report meter use.

We understand that parking plays an integral role in the economic development and growth of any city. The Parking Authority will continue to exert its influence and continue to change the way we think about parking. With persistence and dedication to utilizing the most advanced technology available, we hope to continue to serve as an industry leader, while increasing revenue sources and improving customer services.

The Honorable Martin O'Malley Baltimore, Maryland

Sincerely,

Revenues from facilities increased again by over \$2 million compared to the previous fiscal year.

### Letter from Our Board of Directors

The Parking Authority for Baltimore City has concluded another very successful year and has continued to exceed performance goals. We are pleased to summarize the past year's accomplishments in this Annual Report.

The Parking Authority has continued to transform the City's parking facilities into industry-leading models with state-of-the-art parking control equipment. The facilities are now clean, safe and easy to use. As a result, use of the facilities has continued to grow at a rapid rate. This growth is evident in further increases in revenues from the City's parking facilities. Revenues from facilities increased again by over \$2 million compared to the previous fiscal year.

In addition, the Parking Authority is exploring ways to improve on-street metered parking. A pilot program of new meter technology (multi-space/pay-and-display meters) is underway. Initial reports indicate they are a success. Parkers find them easy and convenient (credit cards are accepted) to use; they help clean up streetscapes by replacing multiple single-space meters with one multi-space meter. These new multi-space meters also have reporting functions far superior to the old

> single-space meters, allowing for much greater control and auditability of revenues.

The Parking Authority continues to show that it can and will manage Baltimore City's parking assets in a way that will maximize benefits to the City's residents, visitors and businesses, while at the same time increasing the City's financial return on those investments.

We look forward to the continued success of the Parking Authority under the leadership of its new Executive Director, Peter Little.



### **Board of Directors**

David Wallace, P.E.

Partner - Rummel, Klepper & Kahl

Chair Term Expires 06.30.05

**Peggy Watson** 

Director of Finance - City of Baltimore

**Board Member** Term Expires 06.30.05

James H. Fields

Principal - Jones & Associates

**Board Member** Term Expires 12.07.05 Swata Shea

Corporate Associate - Venable, LLP Board Member Term Expires 12.07.05

John L. Cain

1st District Councilman - City of Baltimore **Board Member** Term Expires 12.07.05

### **Previous Board Members**

Richard C. Mike Lewin

Secretary

Dept. of Business & Economic Development Board Member Term Expired 06.02

Carmina Perez-Fowler

Attorney - Maryland Dept. of Transportation **Board Member** Term Expired 06.02



### Letter from Our Executive Director

It was my distinct honor to be selected as the new Executive Director for the Parking Authority for Baltimore City this September. I am joining a team that has proven its excellence over the past several years and my goal is to facilitate and lead the Parking Authority's continued success.

The PABC is committed to developing and implementing parking solutions for the City that address the parking needs of the citizens and businesses of Baltimore, as well as the parking needs of commuters and visitors to the City. The Parking Authority is also tasked with managing the City's parking assets in such a way that the benefit from those assets – the availability of parking and the financial return on the investments – is maximized.

This strong Parking Authority team I have joined met those commitments over the past fiscal year through better customer service, improved parking facility appearance and systems, and enhanced revenue controls through new technologies. Here is a list of just a few of the Parking Authority's successes in fiscal year 2004:

- > Parking facilities revenues increased by more than \$2.4 million over the prior year. Several factors account for this huge improvement including increased usage because of the improved appearance and security of facilities, and enhanced revenue controls through the expanded automation of parking facilities (five more City parking facilities were automated in the past fiscal year).
- Participation in the Residential Parking Permit (RPP) programs has continued to grow, evidenced by RPP revenues that were 46% greater than budgeted for the past fiscal year. The courtesy and professionalism of the Parking Authority's RPP staff, increased use of our online application and payment system, and the increased awareness of City residents that RPP programs are effective tools in managing parking in neighborhoods, have all contributed to this increased participation in RPP programs.
- > The Parking Authority started the process of improving Baltimore's on-street, metered parking through the introduction of electronic multi-space parking meters. A pilot program, introduced as EZPark, was initiated this past spring, bringing 70 of these new meters to the City. Initial results of the pilot program indicate that it is very much a success. Parkers find them easy to use and appreciate the convenience of being able to pay with a credit card. More vehicles can park on each block face because the spaces are no longer marked by each single space meter, thus adding to the City's inventory of on-street parking spaces. Residents and business owners alike have noted the improvements made to streetscapes by eliminating the 'picket fencing' of single-space meters and replacing them with a multi-space meter. Initial financial results have been very positive as well.

It was a good year for the Parking Authority. We hope to build upon the successes of the past year and previous years. I believe it is possible and I look forward to reporting even greater success in the future.

Thank you,

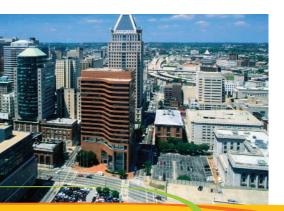
Peter Little Executive Director Parking Authority for Baltimore City



### ACCESS :: BALTIMORE

Parking is a critical commodity in any city. Parking is one of the factors evaluated when:

- Businesses decide whether or not to locate in (or stay in) a city.
- Individuals decide whether or not to live in a city.
- Visitors decide whether or not to come to a city for recreation, shopping, etc.



What is it that individuals and organizations look for when they evaluate parking? They look for parking that is available and sufficient for their needs, safe, clean, and easy to use. There was a time when Baltimore City's parking might have failed that evaluation. There was insufficient parking because there were not enough spaces, and the spaces we had were not managed properly to maximize their usage. Garages, including those owned by the City, were not clean and were poorly lit, therefore, parkers did not feel secure in them. Garages were not easy to use – elevators didn't work, and access and revenue control systems weren't easy to use, slowing the process of entering or exiting.

Parking was considered a problem in Baltimore.

### THE PARKING AUTHORITY

The Parking Authority for Baltimore City was established four years ago to address this problem. Since then, **the Parking Authority has led the way in improving Baltimore's parking**. The Parking Authority has advanced this mission over the past year in particular.

### **Technology**

Parking technology, for both off-street (garages and lots) and on-street applications, has evolved quickly over the past two years. The Parking Authority is taking full advantage of this revolution in technology in ways that clearly benefit parkers and the City:

- The Parking Authority completed automation of five more City garages (six of the fourteen were automated last year). Automation of garages: enhances traffic flow into and out of garages; allows for better management of garage space inventory (no more wasted spaces because a "full" sign is placed at a garage entrance erroneously); increases security of facilities (parking attendants no longer have to sit in booths collecting tickets and revenue instead, they are walking through and monitoring the garages); and greatly improves revenue controls.
- **III)** Additional security cameras were installed in many of our garages. The cameras serve as a real deterrent to improper and illegal behavior.
- We introduced a pilot program of 70 **electronic multi-space parking meters**. We call them **EZ Park** meters and they have been placed within the central business district and Fells Point. EZ Park meters provide the following advantages:

*Improved street-scaping.* By eliminating the clutter caused by multiple "single-head" parking meters, and replacing them with one sleek EZ Park meter per block, streets and sidewalks have become more attractive.

More spaces! Because spaces are no longer delineated by individual single-space meters, more vehicles can park on each block.

**EZ Park meters** offer the **convenience** of payment with credit cards - no more rummaging through your car, pockets and pocket book for loose change. And, you get a receipt for your parking for your expense report!

*Less meter "down time"*. The meters **communicate wirelessly** with a central computer, letting us know when they are not functioning properly – a maintenance person is dispatched immediately.

**Better controls over collected revenue.** The EZ Park meters record and transmit to the central computer all revenues collected. This insures that all revenues put into the EZ Park meters are deposited into City accounts.

Environmentally-friendly. EZ Park meters are solar-powered!

We have upgraded our back-office software so that we can better manage the spaces in and revenue from our facilities.

#### **Customer Service**

Customer service is fundamental to our business. We are dedicated to responding to all parking-related 311 inquiries and insuring that each issue is thoroughly resolved. Over the past year, we have improved customer service in a variety of ways:

- We have expanded the walk-in customer service area of our offices to better accommodate people applying for residential parking permits.
- More attention to detail. We improved the process of reviewing our facilities in FY 2004. By focusing on the details and demanding excellence from our garage operators and service vendors, customers got a better parking product from the Parking Authority than ever.
- Easier entry into and exit from facilities. Through the introduction of "pay-on-foot" technology and upgraded procedures for parking for events, entry into and exiting from our garages has become easier than ever.
- The introduction of "pay-on-foot" technology has enabled garage personnel, who previously were "tied down" to the cashier booth, to regularly walk through the garage to assist customers in a variety of ways (i.e. locating their vehicles, using the "pay-on-foot" machines, inflating a flat tire, etc.).
- Through an upgrade of our garage monthly contract revenue software, our garage monthly contract parkers are now able to pay their parking bills with credit cards.
- III) In the near future, improvements that are underway will allow for the payment of garage monthly contract bills via EFT (electronic funds transfer). This will eliminate the need to write checks and waste envelopes and stamps in the payment of this regular expense.

## Facility Appearance and Operation

Through the efforts of the Parking Authority, City-owned parking facilities now serve as models of appearance and operation, and other facilities now emulate ours. Improvements to our facilities over the past year include:

- Continued branding through standardized signage. When you pull up to a Parking Authority Garage, you know it. Continued installation of new exterior and interior garage signage with a consistent design has helped to promote the Parking Authority "brand".
- Retrofitting lighting. The Parking
  Authority continued its program of
  replacing old, dim sodium and florescent
  light fixtures in its garages with **bright**new metal halide light fixtures. This has
  not only improved the appearance and
  appeal of our facilities, but has also
  helped to better secure our facilities.
- Landscaping improvements. Significant improvements were made to the landscaping on and around City facilities.
- Elevator improvements. The appearance and reliability of the elevators in our garages were significantly improved. Elevator preventative maintenance plans were updated and improved. The flooring, painting and lighting in elevator cabs were all upgraded.

These combined improvements helped to attract more and more parkers to the City's garages, lots and onstreet meters, and increased residents' participation in the Residential Parking Permit (RPP) programs in FY 2004. This resulted in improved revenues from all of our operations – money that flowed back to the City:

- Revenue from garage/lot operations increased by \$2.4 million over the previous year.
- Residential Parking Permit revenues exceeded budgeted expectations by 46.5%.

### **Community Service**

Yes, the City's Parking Authority is not just about parking! Our impact goes beyond merely parking spaces and reaches deep into our community. We firmly believe in the importance of giving back and showing our appreciation to the community. This year the Parking Authority participated in the Mayor's Workplace Mentoring Program (MWMP). The objective of MWMP is to match 200 mentors with mentees – youth in grades 8-11 attending Baltimore City's low performing schools. The goals of MWMP are:

To have mentees graduate from school

To improve attendance and attitude toward school

To develop job readiness skills

Members of the Parking Authority staff mentored **9 students from Barclay Middle School** this past school year. It was a very rewarding experience for all involved – the students and the mentors.

FY 2004 was another successful year

for the Parking Authority of
Baltimore City, and it marks the way for
continued success

in finding and implementing parking solutions for Baltimore and in managing the City's parking assets.

To the Board of Directors of Baltimore City Parking Authority, Inc.

We have audited the accompanying financial statements of the governmental activities and the fund information of the Baltimore City Parking Authority, Inc. (Authority) as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of the Authority as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on Pages 2 through 5 and 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

ELLIN & TUCKER, CHARTERED

Ellin & Treken, Chartered

Certified Public Accountants

Baltimore, Maryland August 11, 2004



OVERVIEW OF THE FINANCIAL STATEMENTS The Authority's financial statements consist of the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Notes to Financial Statements follow the presentation of the basic financial statements. The report also contains required supplementary information, primarily a Budgetary Comparison Schedule.

The Governmental Fund Balance Sheet/Statement of Net Assets is presented in reconciliation format and shows the difference between the assets and liabilities of the Authority as measured under accounting principles generally accepted in the United States of America (Statement of Net Assets) and assets and liabilities as measured under governmental fund accounting standards. For the Authority, the differences related primarily to capital assets and the related capital lease obligation which are reflected as assets and liabilities on the Statement of Net Assets but are excluded from general fund assets and liabilities.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities is also presented in reconciliation format and shows the differences between revenues and expenses as measured under accounting principles generally accepted in the United States of America and revenues and expenditures as measured under governmental fund accounting standards. The primary differences relate to the treatment of capital asset purchases and debt repayments. For governmental fund accounting purposes, all cash payments for capital asset acquisitions and debt repayments are reflected as expenditures and deducted from revenues in calculating the net fund activity for the year. Under accounting principles generally accepted in the United States of America, capital asset acquisitions and the related debt repayments are not reflected in the Statement of Activities as a deduction from revenues but are reflected as increases to assets or reductions of liabilities.

Generally, fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources segregated by specific activities or objectives. The Authority's financial activity is classified into one fund-the general fund. The general fund excludes transactions related to the acquisition of capital assets as prescribed by governmental accounting rules.

The Notes to the Financial Statements provide additional information needed for a full understanding of the basic financial statements.

Required supplementary information consists of a comparison of actual financial activity to budgeted amounts to demonstrate compliance with the budget.

ANALYSIS OF NET ASSETS AND CHANGES IN NET ASSETS The following is a comparison summary of the Authority's net assets and changes in net assets for the years ended June 30, 2004 and 2003.

NET ACCETO		2004		2003
NET ASSETS  Current and Other Assets	\$	151715	ψ	72 227
	Ф	154,745	\$	73,337
Capital Assets	•	194,589	•	191,169
Total Assets	\$	349,334	\$	264,506
Current Liabilities	\$	231,910	\$	173,241
Long-Term Liabilities		18,568		33,049
Total Liabilities	\$	250,478	\$	206,290
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$	160,286	\$	143,707
Unrestricted	Ψ	(61,430)	Ψ	(85,491)
Total Net Assets	\$	98,856	\$	58,216
CHANGES IN NET ASSETS				
Program Revenues:				
Baltimore City Grant	\$	1,600,000	\$	1,100,000
Other		5,196		37,431
Total Revenues	\$	1,605,196	\$	1,137,431
Expenses:				
Salaries and Benefits	\$	989,075	\$	1,001,234
Professional Fees		409,912		108,480
Rent and Utilities		61,606		34,944
Depreciation		42,338		15,064
Other Operating Expenses		61,625		90,424
Total Expenses	\$	1,564,556	\$	1,250,146
Increase (Decrease) in Net Assets		40,640		(112,715)
Net Assets – Beginning of Year	\$	58,216	\$	170,931
Net Assets – End of Year	\$	98,856	\$	58,216

For the year ended June 30, 2004, the Authority received substantially all of its funding from an annual grant from the City of Baltimore. The purpose of the grant was to finance the administration of the City's parking operations through the Authority and cover all of the Authority's personnel costs, capital asset requirements, and other operating costs. The grant for the year ended June 30, 2004 was \$1,600,000. Total operating expenses increased approximately \$315,000 during the year ended June 30, 2004 as compared to the year ended June 30, 2003. The increase was due primarily to higher legal and consulting fees. Consulting fees related to the Residential Parking Program, the Multi-Space Meter Program, the initiative to bring parking enforcement to the Authority as well as ongoing computer and network maintenance costs. Legal fees increased due to greater participation of legal counsel in contract negotiations and development of procurement policies as well as other matters including an action against a garage operator.

During the year ended June 30, 2004, the Authority purchased computer equipment, software, and office equipment of approximately \$46,000. At June 30, 2004, the Authority had a capital lease obligation totaling \$34,303, of which \$15,735 is due within the next 12 months, and other liabilities totaling \$216,174. These liabilities are expected to be funded through existing cash balances, future grants, and other income.

### BUDGET ANALYSIS

The Budgetary Comparison Schedule for the fiscal year ended June 30, 2004 (2004) is presented on Page 16. The most significant budget variations included salaries and benefits, legal fees, consultants, equipment acquisitions, and rent.

Salaries and benefits, which include base salaries, payroll taxes, and health insurance costs, were \$128,225 less than expected. The Authority budgeted for three additional staff positions in 2004; however, due to more effective utilization of existing personnel the additional positions were not created.

Capital expenditures during 2004 were approximately \$21,000 more than budget. Capital expenditures for 2004 consisted primarily of computer equipment and software, including software license fees. The software license fees were not contemplated in the budget for capital expenditures.

Rent expense was approximately \$26,000 less than budget. The Authority leases office space from the City under a 5-year lease. The lease provides that rent payments to the City will be deferred until years three through five of the lease term. The 2004 budget included rent payments for the year as if such payments were to be made; however, such payments will not begin until March 2005. Despite the deferral of rent payments, some rent expense has been recorded by the Authority as it records rent expense on the straight-line basis over the entire 5-year lease term.

Consulting expenditures exceeded budgeted amounts by approximately \$45,000. The Authority utilized consulting services for three projects including the Residential Parking Program, the Multi-Space Meter Project, and an initiative to bring enforcement to the Authority. Certain of these consulting costs were previously paid through the City and not contemplated or budgeted as an expenditure of the Authority. During the year ended June 30, 2004, all consulting costs for these projects were funded through the Authority. In addition, the Authority incurred computer consulting costs for ongoing computer and network maintenance as well as costs to maintain credit card systems.

Expenditures for legal services exceeded the budgeted amount by approximately \$70,000. Legal services were needed for certain unanticipated matters including analysis and negotiation of certain contracts, procurement policies, an action against a garage operator, and other general matters.

FISCAL YEAR ENDING JUNE 30, 2005 The budget for the fiscal year ending June 30, 2005 has been submitted to the Baltimore City Board of Estimates in the amount of \$1,600,000 which represents no change in funding level compared to the fiscal year ended June 30, 2004.

The Authority has been able to handle the addition of the Multi-Space meter program with existing personnel. This program is currently in operation in selected neighborhoods throughout the City, as a pilot program. The program is currently in operation in the Charles Street business district and Fells Point. The Authority anticipates that expansion of this program from 70 meters to approximately 2,000 meters will occur over the next several years; however, the proposed budget does not include expenditures that will be necessary for this expansion. It is anticipated that the budget will be revised when the expansion is implemented.

The initiative to bring parking enforcement to the Authority is currently being evaluated. The impact of taking over enforcement responsibility by the Authority would be significant and would require a significant increase in funding; however, the current proposed budget does not include expenditures for this initiative. If the transfer of enforcement occurs in 2005, the budget will be revised accordingly.

Currently the budget does not reflect any increase in costs for the operation of the Residential Parking Program during 2005.

The management team of the Parking Authority is committed to introducing new technology and other methods to increase revenues for the City and to providing outstanding customer service to all city patrons.

### Governmental Fund Balance Sheet Statement of Net Assets

June 30, 2004

	General Fund	Adjustments (Note 5)		Statement of Net Assets	
ASSETS					
Cash and Cash Equivalents	\$ 154,745	\$	-	\$	154,745
Capital Assets, Net (Note 2)	-		194,589		194,589
Total Assets	\$ 154,745	\$	194,589	\$	349,334
LIABILITIES					
Accounts Payable	\$ 52,418	\$	-	\$	52,418
Accrued Expenses	163,757		-		163,757
Capital Lease Obligation (Note 3)	-		34,303		34,303
Total Liabilities	216,175	\$	34,303	\$	250,478
COMMITMENTS (NOTE 4)					
FUND BALANCES					
General Fund Balance (Deficit)	\$ (61,430)	\$	61,430	\$	-
Total Liabilities and Fund Balances	\$ 154,745				
NET ASSETS					
Invested in Capital Assets, Net of Related Debt		\$	160,286	\$	160,286
Unrestricted			(61,430)		(61,430)
Total Net Assets		\$	98,856	\$	98,856

## **Statement of Governmental Fund Revenues,** Expenditures, and Changes in Fund Balance/Statement of Activities

	General Fund	Adjustments (Note 5)	Statement of Activities
EXPENDITURES/EXPENSES			
Administration of Parking Facilities	\$ 1,522,218	\$ -	\$ 1,522,218
Capital Outlay	45,758	(3,420)	42,338
Debt Service	13,159	(13,159)	-
Total Expenditures/Expenses	\$ 1,581,135	\$ (16,579)	\$ 1,564,556
PROGRAM REVENUE			
Grant Revenue - Baltimore City	\$ 1,600,000	\$ -	\$ 1,600,000
Other Income	5,196	-	5,196
Total Revenue	1,605,196	-	1,605,196
Excess (Deficit) of Revenue over Expenditures	24,061	(24,061)	-
CHANGE IN NET ASSETS	- \$ -	\$ 40,640	\$ 40,640
FUND BALANCE/NET ASSETS			
Beginning of Year	\$ (85,491)		\$ 58,216
FUND BALANCE/NET ASSETS			
End of Year	\$ (61,430)		\$ 98,856



### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

Baltimore City Parking Authority, Inc. (Authority) was created in 2000 by Baltimore City Ordinance 2000-71. The Authority's purpose is to assist Baltimore City (City) in the planning, development, management, and administration of its parking facilities. The Authority does not own any parking facilities or other property. The Authority's main source of revenue is a grant from the City rather than parking receipts. The grant is intended to fund all operating expenses of the Authority.

The Board of Directors of the Authority consists of five members, four of which are appointed by the Mayor of Baltimore City and confirmed by the City Council and one who is a member of the City Council appointed by the City Council President.

# MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Authority's main source of revenue is a single grant from the City; therefore, all assets, liabilities, revenues, and expenses/expenditures are accounted for in a governmental fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain other obligations including capital lease obligations, are recorded only when payment is due.

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues primarily include the operating grant from the City.

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34) and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (GASB 38). GASB 34 requires that net assets be classified as restricted, unrestricted, or invested in capital assets and requires presentation of a Management's Discussion and Analysis section to introduce the basic financial statements. GASB 34 and GASB 38 require certain expanded footnote disclosures.

### **BUDGETARY INFORMATION**

The annual budget of the Authority is subject to approval by the City's Board of Estimates. The budget serves as the basis for determining the grant from the City. Budgetary data is presented as required supplementary information for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles for the governmental fund.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Authority maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

At June 30, 2004, the Authority's carrying value of cash and cash equivalents was \$154,745 and the bank balance was \$182,211. The difference between the carrying value and the bank balance is due to outstanding checks at June 30, 2004.

The Authority believes that approximately \$100,000 of the bank balance at June 30, 2004 falls within the limits of federal insurance coverage and thus considered low risk (Risk Category 1). The remaining bank balance is not covered by deposit insurance or collateralized (Risk Category 3). Bank deposits are categorized to give an indication of the level of risk assumed by the Authority for such deposits. Risk Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its agent in the name of the Authority. Risk Category 2 includes deposits collateralized with securities held by the pledging institutions trust department or agent in the name of the Authority. Risk Category 3 includes deposits that are not collateralized. Category 1 deposits have the least risk to the Authority.

### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives, which ranges from 3 to 10 years, of the assets. It is the Authority's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

### **COMPENSATED ABSENCES**

The Authority accrues a liability for compensated absences which consists primarily of accumulated vacation leave. The liability includes those amounts expected to be paid out upon termination of employment or through paid leave time.

Capital assets of the Authority are as follows:

	Beginning of Year	Additions	Retirements	End of Year
CAPITAL ASSETS				
Computer Equipment	\$ 115,391	\$ 36,560	\$ -	\$ 151,951
Office Equipment	56,041	1,119	-	57,160
Furniture and Fixtures	15,830	8,081	-	23,911
Leasehold Improvements	19,864		-	19,864
Total	207,126	45,760	-	252,886
LESS: ACCUMULATED DEPRECIATION				
Computer Equipment	8,072	27,050	-	35,122
Office Equipment	5,009	9,225	-	14,234
Furniture and Fixtures	1,573	2,487	-	4,060
Leasehold Improvements	1,303	3,578	-	4,881
Total	15,957	42,340	-	58,297
Net Capital Assets	\$ 191,169	\$ 3,420	\$ -	\$ 194,589



### **CAPITAL LEASES**

The Authority leases machinery and equipment under capital leases which expire at various dates through 2006. Future minimum lease payments under capital leases are as follows:

Year Ending June 30, 2005	\$ 18,351
2006	19,614
Total Minimum Payments	37,965
Less: Amounts Representing Interest	3,662
Present Value of Lease Payments	34,303
Less: Current Portion	15,735
Long-Term Portion	\$ 18,568

Information relating to equipment held under capital leases at June 30, 2004 is as follows:

	2004	2003
Equipment Held under Capital Lease	\$ 53,264	\$ 53,264
Less: Accumulated Depreciation	13,853	4,940
Total	\$ 39,411	\$ 48,324

For the year ended June 30, 2004, depreciation and interest expense was \$42,338 and \$5,193, respectively.

The Authority leases office space from the City under a lease which expires in February 2008. The lease provides for rent abatement from March 2003 (lease inception) through February 2005. The Authority records the ratable portion of total lease payments over the lease term as rent expense. Rent expense recorded for the year ended June 30, 2004 was \$29,137.

Future minimum	lease payments	under operating	leases are as follows:

Year Ending June 30, 2005	\$ 7,896
2006	31,584
2007	55,522
2008	47,876



# EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS FINANCIAL STATEMENTS AND GAAP FINANCIAL STATEMENTS

### Statement of Net Assets and Governmental Fund Balance Sheet

The fund balance of the general fund differs from net assets reported in the Statement of Net Assets. The differences result primarily from the treatment of capital assets and capital lease obligations. When capital assets are used in governmental activities, the costs of the assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those assets among the assets of the Authority. Long-term liabilities, including capital lease obligations, relating to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the general fund. All current and long-term liabilities are reported as liabilities in the Statement of Net Assets.

# Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

As noted above, outlays for capital assets to be used in governmental activities are reported as expenditures in the general fund; however, those expenditures are reported as assets, not expenses, in the Statement of Activities. Payments under the Authority's capital lease obligations are reported as expenditures of the general fund; however, the principal portion of such payments is reported as reductions of capital lease liabilities in the Statement of Activities. The interest portion of the lease payments is reflected in the Statement of Activities as a current period expense.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND			A . ( . 1	W. J.
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUE				
Grant - Baltimore City	\$ 1,685,000	\$ 1,600,000	\$ 1,600,000	\$ -
Other	-	-	5,196	5,196
Total Revenue	\$ 1,685,000	\$ 1,600,000	\$ 1,605,196	\$ 5,196
EXPENDITURES				
Salaries and Benefits	\$ 1,202,300	\$ 1,117,300	\$ 989,075	\$ 128,225
Telephones/Utilities/Internet	32,700	32,700	32,469	231
Vehicles/Travel	5,500	5,500	4,120	1,380
Business Machine Rental	18,500	18,500	20,580	(2,080)
Consultants	176,800	176,800	221,508	(44,708)
Legal	75,000	75,000	144,859	(69,859)
Printing	35,000	35,000	23,192	11,808
Other Services	30,100	30,100	43,545	(13,445)
Supplies	12,100	12,100	16,598	(4,498)
Equipment Acquisitions	25,000	25,000	45,758	(20,758)
Rent	55,500	55,500	29,137	26,363
Advertising	15,000	15,000	7,580	7,420
Dues/Subscriptions/Training	1,500	1,500	2,714	(1,214)
Total Expenditures	\$ 1,685,000	\$ 1,600,000	\$ 1,581,135	\$ 18,865

RECONCILIATION
OF BUDGETARY
EXPENDITURES
TO EXPENSES
REPORTED
UNDER GAAP

Total Expenses	\$ 1	,564,556
Principal Portion of Capital Lease Payments Not Included in Expenses		(13,159)
Capital Asset Acquisitions Not Included in Expenses		(45,758)
Depreciation Expense Not Included in Budget	\$	42,338

